



Environmental Financial Advisory Board

Affordability Workshop - Overview of Affordability Programs

Presented by Peiffer Brandt

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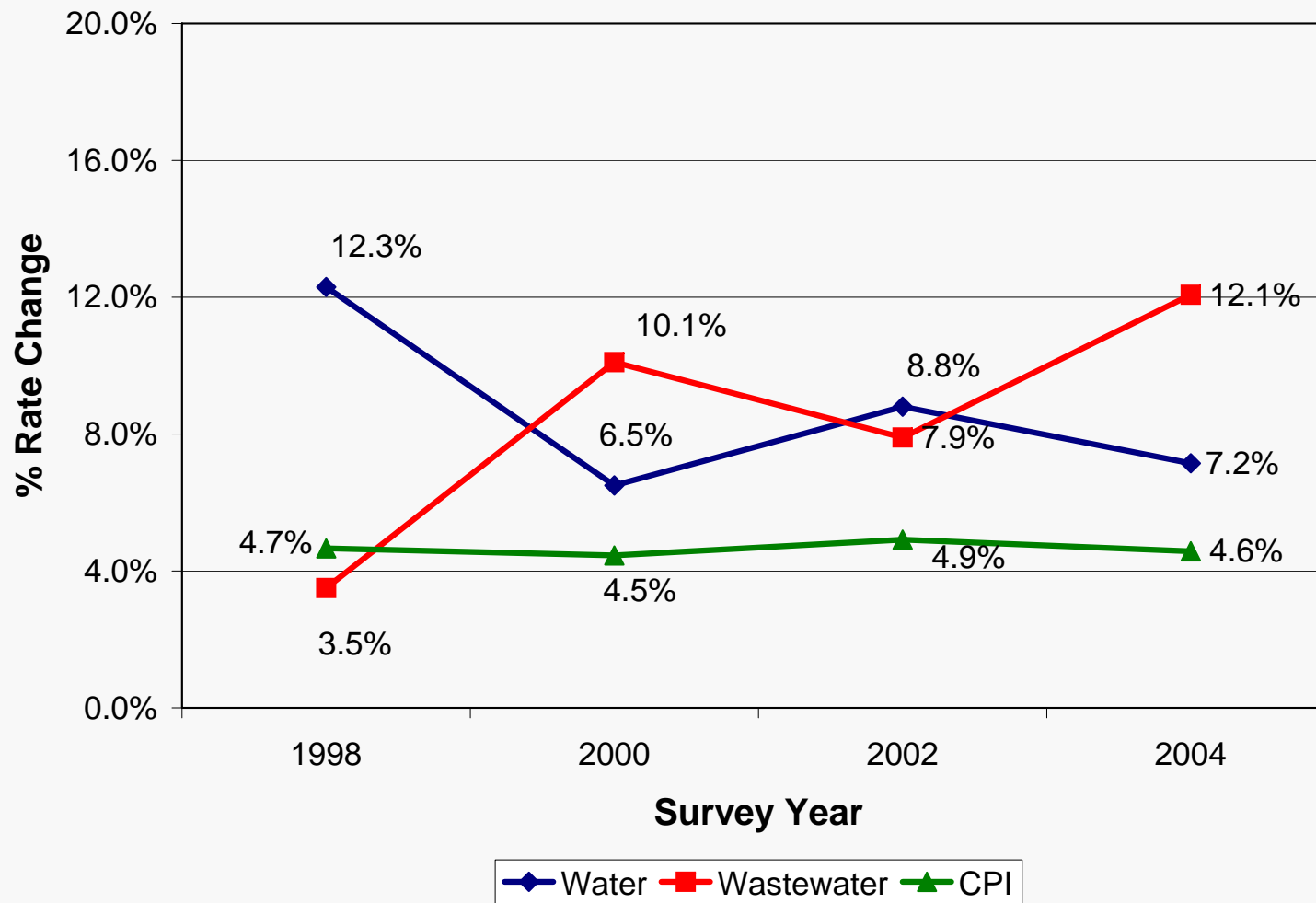
Overview of Presentation

- **Why is Affordability an Issue?**
- **Defining Affordability Programs**
- **Survey Data**
- **Aspects of Affordability Programs**





Water and Wastewater Charge Trend





What is an Affordability Program?

- **Program that aids those who truly cannot afford water and wastewater service**
 - Reduction in bill that makes charges affordable
 - Outside funding that covers the portion of the bill that is not affordable





Goals of Affordability Programs

- **Address Utility's Social Responsibilities**
 - Benefits low-income customers
- **Reduce Utility's Operating Expenses**
 - Write-offs
 - Customer service efforts





2004 Water and Wastewater Rate Survey

Conducted by RFC and AWWA



Prevalence of Affordability Programs (Water Utilities)

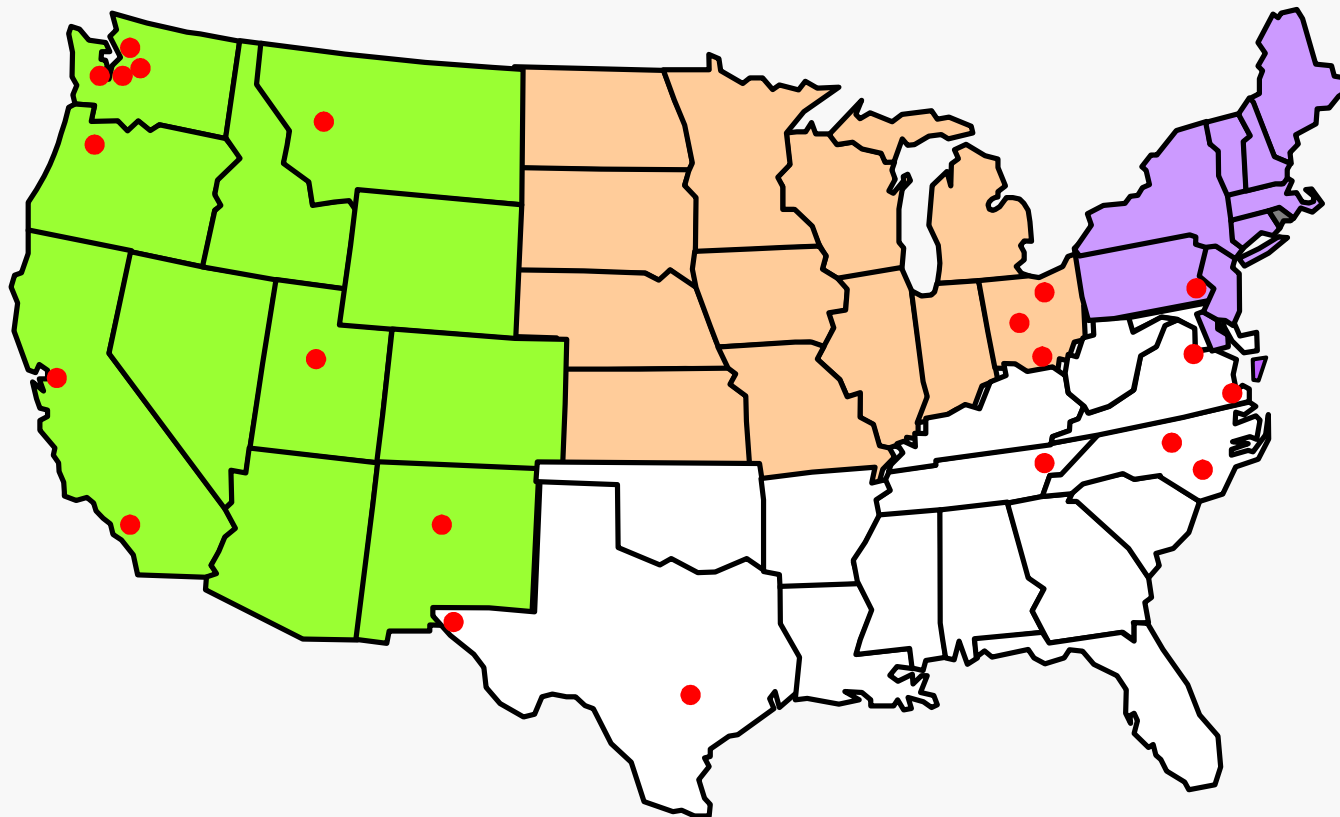
Low-Income Discount	40
Low-Volume Discount	16
<i>Total Participants</i>	<i>266</i>



Median Household Income Affordability Index

	2002	2004
Water	0.53%	0.56%
Sewer	0.64%	0.69%
Combined	1.17%	1.25%
% of utilities with combined above 2%	3%	7%

Utilities with Programs





Affordability Indicators

■ **Community Financial Strength**

- Includes whole community
- Bond rating, unemployment rate, percentage below poverty levels, etc.

■ **Customer Burden Indicators**

- Specific to customer groups
- Water and wastewater charges as a % of household income (median, poverty level)

■ **Utility Financial Benchmarks**



Affordability Program Components

- **Reduction in base/meter charge**
- **Reduced volume rates**
- **Lifeline rates**
- **Arrearage forgiveness**
- **Use of available funds for those who cannot pay**
 - **One-time assistance**
 - **On-going assistance**



Funding Sources

- **Contributions**
 - Customers
 - Corporations
 - Non-profits
- **Fund Balance**
- **Rates**
(Budget Line Item)





Program Administration

■ Internal

- Pros – Potential for greatest benefit
- Cons – Not core business, lack of participant data

■ Team with Existing Entity

- Examples – Salvation Army, Crisis Assistance
- Pros – Experts with existing data
- Cons – Lack of Control



Affordability Program Challenges

■ Identifying Beneficiaries

- Separating those who can't pay from those who don't want to
- Direct and indirect customers

■ Structuring Program

■ Acquiring Funds

■ Accounting

- Internal transfer of funds
- Payments by outside agency



Role of Regulatory Agencies

■ Identify need for programs

➤ Observe critical metrics

- Write-off percentages
- Number of delinquencies
- Comparison of charges to MHI/poverty level

■ Assist with program implementation



Summary

- Affordability is becoming more critical as charge increases outpace CPI
- Utilities have options regarding program structure
- Regulatory agencies need to monitor situation and be prepared to assist with implementation